

2020/21



MKHONDO LOCAL MUNICIPALITY 2020/21 FINAL MTREF BUDGET

ANNUAL BUDGET REPORT - MP303

Municipal Budget Reporting Regulations (MBRR)



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Council to approve;

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 - Tariff policy
 - Cash Management policy
 - Indigent Policy
 - Rates policy
 - Fleet Management policy
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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR’S REPORT

Madam Speaker, our country and the rest of the world has been hit by an unknown enemy, the deadly virus Covid-19 and the president of the RSA has placed the country on nationwide lockdown on the 26th March 2020. The corona virus pandemic has affected most of our communities to practice safe social distance, frequent hand sanitising, masking and protecting the most vulnerable with food parcels as well as PPE for frontline workers.

In pursuance of our commitment to ensure that together we continue to build a better community in eMkhondo, we as the Municipality have drafted a disaster plan and refocused on water and sanitation projects to deliver water in rural and other areas. Our efforts to create sustainable economic growth, covid-19 risk free area and development opportunities for the youth, people with disabilities and women. The National Treasury has allocated Municipal Disaster relief fund and R554 000 was transferred to the municipality for the Covid-19 expenditure. The municipality also re-prioritised a further R2million towards Covid-19 expenses from own internal funds.

We intend to use the resources we have at our disposal to strengthen the economic activities, job creation such as agricultural value chain which will benefit existing and emerging farmers through cooperatives. As the Council, we observe and acknowledge that the current financial position of the municipality is still under pressure. Despite these challenges, we are optimistic that the budget we put together is realistic under the circumstances. The Municipality has put measures in place to encourage, motivate and educate members of the community about the importance of paying for the services they receive from the municipality.

Madam Speaker, we understand that ours is a government founded on the will of the people. Mkhondo municipality has rolled out a series of projects to the entire Mkhondo community which includes the following projects in order to speed up service delivery demands: Construction of Driefontein to Iswepe and Haartebeesfontein water bulkline (R12,8million), Upgrading of gravel to paving road in Group10 (Ext.7)(R6, 7million); Construction of dignified sanitation (R6, 2million) and Construction of Multi-Purpose Community Hall in Harmony Park (3, 7million); Amsterdam Sewer and Reticulation Network (R14, 2million); Construction of Driefontein Sanitation Infrastructure (R16, 3million); to name but a few.

However, the Council will be vigilant when exercising its oversight in order to keep its fiscal discipline intact. Using our existing public participation and communication platforms, we intend to discharge the responsibilities and the mandate that the electorate entrusted on us. We are doing this being conscious that accounting to the general public is not just a privilege we dish out, but is a constitutional right we have to fulfil to promote more active community participation in decision-making processes of the municipality.

.....
EXECUTIVE MAYOR
CLLR VUSI MOTHIA

1.2 COUNCIL RESOLUTION

The Executive Mayor of Mkhondo Local Municipality will deliver his 2020/21 final annual budget speech in Council Chamber before and/or 30 March 2020, for Council to approve the 2020/21 final annual budget. The Council item will outline the following in terms of section 24 of the Municipal Financial Management Act;

- 2020/21 Final Budget Report
- 2020/21 Final tariffs Schedule
- 2020/21 Reviewed Budget Related Policies

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 99 was consulted to guide the compilation of the 2020/21 MTREF

The main challenges experienced during the compilation of the budget 2020/21 can be summarized as follows;

- The ongoing economic challenges in the national and local environment;
- Aging water, roads and electricity infrastructure;
- The increased cost of bulk electricity purchase (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships and backlogs for providing sites which will in turn will require basic services from the municipality.
- Other costs of doing business including repairs and maintenance of fleet operations.

The following budget principles and guidelines directly informed the compilation of the 2020/21 MTREF:

- The 2019/20 Adjustment Budget priorities and targets, as well as the base line allocations were adopted as future growth and a top up developments into the upcoming 2020/21 annual budget;
- The overall impact on the budget will not be accelerated that high due to low cash flow volumes and continued revenue challenges.
- The approach for 2020/21 budget year is to allow revenue to be projected at CPI of 4.5% growth this will work towards the cost-reflective tariffs and the drive towards funded budgets.

- The current operational expenditure far supersedes the available cash flow therefore the baseline of adjustment budget will be opening balances and only employee related cost will be increased by 6.24% .
- Tariffs and property rates increases should be affordable and currently the municipality is proposing to increase tariffs upto 4.5% above inflation in order to cover the fundability of the budget. The rural and semi-urban areas will be charged upto R150 per month per household on access to clean water using household and communal taps.

Recommendations and Comments from other stakeholders including provincial treasury in terms of section 22 of the MFMA on 2020/21 Draft Budget were follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a final budget to, amongst others, the Provincial Treasury immediately after tabling the final budget in Council. In turn, the Provincial Treasury must provide views and comments on the final budget and any budget-related policies and documentation, which must then be considered by council when tabling the annual budget (Section 23). The final budget engagement with PT had the following comments and recommendations for the Municipality to take note;

- The projections of the Revenue Enhancement Collection strategy should be documented and ease for statistical reporting in terms of Debt book.
- Data cleansing close up report and its recommendations
- Long-term Asset Renewal plan for Repairs and maintenance of infrastructure
- Forestry in terms of the progress on identifying biological assets and its value
- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- Debt impairment and depreciation be budgeted in full, however, in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceeds the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at prime rate plus 1%.
- Other revenue items such as traffic fines and rental of facilities had to be readjusted downwards to be more conservative on the revenue collection.

1.4 Operating Revenue Framework

Total operating revenue for 2020/21 financial year is R666, 3million, when compared to the 2019/20 Adjustment Budget of R627, 3million. For the two outer years, operational revenue will increase by 5 per cent respectively.

Total operating expenditure for the 2020/21 financial year has been appropriated at R775million which is funded through revenue collection from services, equitable share and other grants. When compared to

the 2019/20 Adjustments Budget, the total operational expenditure was R613million which has grown by 20 per cent in the 2020/21 budget and by 4.6 per cent for each of the respective outer years of the MTREF.

The 2020/21 total capital budget of R174, 2million which is funded through capital grants of MIG, WSIG, RBIG and INEP towards various infrastructure projects. An amount of R18, 8million is set aside for own acquisition of assets to effectively assist in the basic service delivery. The national government calls for all municipalities to start generating substantial revenues to alleviate grant dependency on capital infrastructure as well as renewal of existing assets

1.4.1 Municipal Tariffs

1.4.1.1 Property Rates

Mkhondo municipality has implemented a current valuation roll and it has been updated effectively to be implemented as from 01 July 2019. The new valuation roll has brought an upward change in revenue estimates as more properties are now included in the property valuation roll to generate more revenue as well as to cover the cost of providing other general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.98 & 99 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 20:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 4.5 per cent property rate tariffs increase for 2020/21 financial year will see a revenue projection of R69, 8million as compared to the R66, 8million in 2019/20 adjustment. The reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands and Council add an extra R43 000 to it to bring the value to R58 000 which will be exempted from rates. Rebates for residential will be 20%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2020/21 financial year based on a 4.5 per cent increase from 1 July 2020 is contained below:

Table1 - Comparison of proposed rates to levied for the 2020/21 financial year

Category	Current tariffs (2019/20)	Final tariffs (2020/21) (4.5%)
Residential	R0.011155	R0.011657
Business/Industrial	R0.011560	R0.023314
Agriculture	R0.002789	R0.002914
State owned	R0.0011560	R0.02914
Psi	R0.002789	R0.002914
Vacant	R0.020098	R0.021002
Pbo	R0.002799	R0.002914

1.4.1.2 Sale of Electricity and impact of tariffs increase

We have applied to NERSA 6.22 per cent on the municipal electricity tariff for 2020/21 final annual budget compilation. Mkhondo Local Municipality will be charging the NERSA approved final tariff as per the approval letter expected in May 2020 for all electricity sales and consumptions. The municipality is urged by NERSA to conduct a cost of supply for all tariffs charged and reduction of losses, this will be in addition to measures in place to reduce the distribution losses both technical and non-technical energy losses. The tariffs will be effective in the new financial billing starting on the 01st July 2020.

Table2 - Inclining Block Tariffs (IBT) – Residential

Prepaid	<u>2019/20</u> <u>(c/kwh)</u>	<u>2020/21 (c/kwh)</u>	<u>Increase c/kwh)</u>
Block1 (0 – 50kwh)	1.0338	1.0981	0.0643
Block2 (51 – 350kwh)	1.3247	1.4071	0.0824
Block3 (351 – 600kwh)	1.8141	1.9565	0.1424
Block4 (600kwh >)	2.2019	2.3389	0.1370
Basic Charge	118.6400	118.6400	0.00

Conventional	<u>2019/20</u> <u>(c/kwh)</u>	<u>2020/21 (c/kwh)</u>	<u>Increase c/kwh)</u>
Block1 (0 – 50kwh)	0.9539	1.0132	0.0593
Block2 (51 – 350kwh)	1.2321	1.3254	0.0933
Block3 (351 – 600kwh)	1.7752	1.8856	0.1104
Block4 (600kwh >)	2.1196	2.2637	0.1441
Basic Charge	118.6400	118.6400	0.00

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy however, more efforts will be envisaged to reach out to more deserving members of the community to register on the indigent subsidy. Indigent households will receive free basic electricity supply of up to 50KWh which is funded from the equitable share and that this allocation will continue in the 2020/21 financial year.

The tariff increase is divided into two categories mainly;

- Repair and Maintenance and other general services - 4.5%
- Electricity Consumption KWh - 6.22% **(Non-residential – IBT only)**
- Bulk Purchases (Eskom) - 8.1%

1.4.1.3 Sales of Water and Impact of tariff increase

South Africa has faced one of the worst droughts in decades and a call for water preservations were a call to each and every south African to utilize water sparingly and the worst hit were agricultural sector and communities in terms of water supply. Some municipal areas were declared as disaster areas seeking water supply through tinkering services and other non-profit organizations offering a support. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansions;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R20.33 each month for every vacant stand excluding Council properties.

Table 3 - Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current tariffs 2019/20	Final tariffs 2020/21	Difference (Increase)	Percentage Change
0 -6 (Free Basic Water)	R 4.38	R 4.58	R 0.20	4.50%
7 – 20	R 5.44	R 5.68	R 0.24	4.50%
21 – 40	R 7.71	R 8.06	R 0.35	4.50%
41 – 60	R 10.18	R 10.64	R 0.46	4.50%
61 - above	R 10.75	R 11.23	R 0.48	4.50%

The free basic water will be provided to only register indigent households and no longer to all residents even to those that can afford to pay for water usage, and it will be upto a maximum of 6kℓ.

By-laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

1.4.1.4 Sanitation and Impact of tariffs increase

Tariff increase of 4.5% for sanitation has been approved as from 01 July 2020. This is based on the cost assumptions related to water.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kl water will be applicable to registered indigents
- New sewer connection fees will be split into town/urban and townships

Table 4 - Comparison between current sanitation charges and increases

Classification Monthly	Current tariffs 2019/20	Final tariffs 2020/21	Difference (Increase)	Percentage Change
Basic charge	R 62.87	R 65.70	R 2.83	4.50%
Stand – 1 st toilet	R 44.94	R 46.96	R 2.02	4.50%
Consecutive toilet	R 42.00	R 43.89	R 1.89	4.50%

1.4.1.5 Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality approved 4.5% tariff on all categories of in terms of their classifications and waste bins.

Table 5 - Comparison between current Refuse removal charges and increases

Classification Monthly	Current tariffs 2019/20	Final tariffs 2020/21	Difference (Increase)	Percentage Change
Dwellings, flats, churches and hospitals : per	R 61.08	R 63.83	R 2.75	4.50%
From all other premises, per user	R 154.45	R 161.40	R 6.95	4.50%
If two users jointly make use of a bulk refuse container, per user	R 161.60	R 168.87	R 7.27	4.50%
Bulk refuse container per individual user.	R 648.17	R 677.34	R 29.17	4.50%
Additional Waste - Landfill site per Ton	R 39.50	R 41.28	R 1.78	4.50%

1.5 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2020/21 budget and MTREF is informed by the following:

- The new Salary and Wage Collective Agreement will be effective as from the 01 July 2020.
- Funded budget model to ensure that approved budgets are fully funded and cash sustainable to achieve the priorities as set out in the IDP. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and

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- Strict adherence to the principle of *no project plans into approved IDP, no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):

**Table 6 - MP303 Mkhondo - Table A4 Budgeted Financial Performance
(revenue and expenditure)**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1										
Revenue By Source											
Property rates	2	46,217	39,807	43,660	49,495	66,616	66,616	–	69,801	73,012	76,370
Service charges - electricity revenue	2	121,400	107,982	125,601	156,983	175,752	175,752	–	169,270	177,057	185,201
Service charges - water revenue	2	23,778	19,989	22,757	26,345	32,412	32,412	–	30,141	31,527	32,978
Service charges - sanitation revenue	2	9,153	9,440	9,873	17,868	27,781	27,781	–	21,282	22,261	23,285
Service charges - refuse revenue	2	1	10,745	11,368	11,977	14,975	14,975	–	15,649	16,369	17,122
Rental of facilities and equipment		22,528	306	187	2,457	1,784	1,784	–	3,239	3,388	3,544
Interest earned - external investments	442	21,186	25,904	1,797	34,440	34,440	34,440	–	832	871	911
Interest earned - outstanding debtors		16,157	–	–	16,446	–	–	–	34,952	36,560	38,242
Dividends received	10	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	90	2,428	19,545	1,044	2,300	2,300	2,300	–	2,345	2,453	2,566
Licences and permits		12,155	57	92	113	133	133	–	139	145	152
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		171,606	192,106	214,533	244,129	240,601	240,601	–	265,326	283,540	306,547
Other revenue	2	1,034	32,868	52,016	39,252	44,862	44,862	–	46,472	48,610	50,847
Gains		–	–	17,292	–	–	–	–	6,793	7,105	7,432
Total Revenue (excluding capital transfers and contributions)		424,571	436,915	542,830	567,907	641,657	641,657	–	666,242	702,897	745,195
Expenditure By Type	-										
Employee related costs	2	145,567	158,495	169,977	186,258	191,372	191,372	–	199,074	213,084	228,032
Remuneration of councillors		12,039	13,953	15,052	16,913	17,947	17,947	–	18,755	19,617	20,559
Debt impairment	3	62,363	65,278	81,820	51,500	81,820	81,820	–	84,000	87,864	91,906
Depreciation & asset impairment	2	12,581	19,861	157,816	76,854	131,633	131,633	–	141,143	147,635	154,722
Finance charges		9,476	14,656	18,318	7,634	9,000	9,000	0	9,405	9,838	10,310
Bulk purchases	2	113,383	116,535	125,772	148,814	164,000	164,000	–	165,000	172,590	180,874
Other materials	8	13,985	20,478	27,448	14,699	18,981	18,981	1,702	17,511	18,187	18,917
Contracted services		69,708	74,448	113,374	51,717	79,385	79,385	1,131	83,699	84,215	88,166
Transfers and subsidies		5,240	5,473	6,517	12,292	5,328	5,328	–	11,835	10,651	11,347

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Other expenditure	4, 5	36,617	52,374	64,651	51,976	53,642	53,642	1,201	44,558	46,806	49,207
Losses		(2,304)	(58)	(612)	–	–	–	–	–	–	–
Total Expenditure		478,654	541,493	780,134	618,657	753,108	753,108	4,034	774,980	810,488	854,039
Surplus/(Deficit)		(54,083)	(104,578)	(237,304)	(50,750)	(111,451)	(111,451)	(4,034)	(108,738)	(107,590)	(108,843)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		78,481	136,996	138,954	118,419	118,419	118,419	–	155,357	220,399	286,632
Transfers and subsidies - capital (in-kind - all)	2	29,141	696	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788

The budget allocation for employee related cost for the 2020/21 financial year totals to R199, 1million, which equals 37 per cent of the total operating expenditure. Based on the outcome of the new salary and wage collective agreement the final budget will have the increments as approved by SALGBC for now employee related cost will be 6.25%.

No filling of new vacancies will be budgeted on the 2020/21 Opex budget, the vacancies will be filled are those that were budgeted and employees have either deceased or resigned from those positions. The department heads are strictly reminded to control and manage their departmental employee costs particularly on overtime, standby and shift allowances.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2020/21 grant allocation as gazetted for remuneration of councillors has an amount of R18, 5million for councilors' remuneration as well as the stipend for the ward councilor's which has been considered during the compilation of the 2020/21 final annual budget.

Finance charges consist primarily of the repayment of interest on outstanding debt of Eskom. The municipality has settled its long-term loans and management can consider infrastructure loan through normal processes of the National Treasury based on the financial viability.

Bulk purchases of R165 million are largely informed by the purchase of bulk electricity and the raw water extractions from DWA.

Other material comprises of amongst others the purchase of fuel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs and maintenance plan on existing infrastructures, this group of expenditure has been prioritized to ensure sustainability of the service delivery.

1.5.1 Free Basic Services: Basic Social Services Package

The Mkhondo Local Municipality will continue to register indigents for the entire Mkhondo area particularly those areas where billing is taking place. The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. Recognizing that the number of registered indigent is still low, the target is to register additional 25 per cent or more indigent households during the 2020/21 financial year, a process to be reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 - MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital Expenditure - Functional Governance and administration		811	161,870	299,306	1,200	2,250	2,250	35	6,375	3,830	4,360
Executive and council	–	–	–	0	–	–	–	–	–	–	–
Finance and administration	811	161,870	299,306	1,200	2,250	2,250	2,250	35	6,135	3,830	4,360
Internal audit	–	–	–	–	–	–	–	–	240	–	–
Community and public safety	–	35,252	26,328	9,000	5,483	5,483	5,483	–	4,210	–	–
Community and social services	–	33,174	23,917	–	–	–	–	–	20	–	–
Sport and recreation	–	2,079	2,411	9,000	5,483	5,483	5,483	–	2,330	–	–
Public safety	–	–	–	–	–	–	–	–	1,860	–	–
Housing	–	–	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services	–	16,912	16,816	25,000	16,147	16,147	16,147	–	15,477	38,068	41,019
Planning and development	–	–	–	–	–	–	–	–	–	–	–
Road transport	–	16,912	16,816	25,000	16,147	16,147	16,147	–	15,477	38,068	41,019
Environmental protection	–	–	–	–	–	–	–	–	–	–	–
Trading services	–	44,572	43,743	109,519	123,478	123,478	123,478	–	147,676	182,331	245,613
Energy sources	–	13,794	29,544	39,100	38,689	38,689	38,689	–	16,940	20,000	20,048
Water management	–	24,970	8,390	36,083	46,564	46,564	46,564	–	93,860	145,041	207,565
Waste water management	–	5,808	5,808	34,336	38,225	38,225	38,225	–	36,814	17,290	18,000

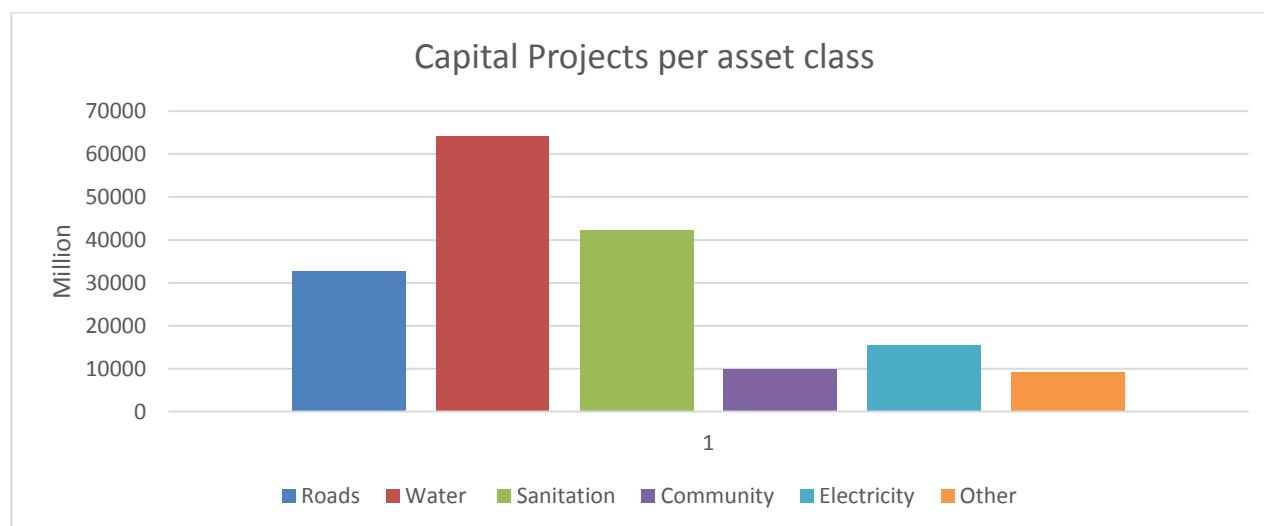
MKHONDO LOCAL MUNICIPALITY 2020/21 FINAL MTREF BUDGET

Waste management		-	-	-	-	-	-	-	62	-	-
Other		-	3,336	(2,715)	-	-	-	-	500	-	-
Total Capital Expenditure - Functional	3	811	261,942	383,477	144,719	147,358	147,358	35	174,239	224,229	290,992
Funded by:											
National Government		1,544	201,722	334,383	118,419	118,419	118,419	-	155,357	220,399	286,632
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	29,141	29,141	-	-	-	-	-	-	-
Transfers recognised - capital	4	1,544	230,864	363,524	118,419	118,419	118,419	-	155,357	220,399	286,632
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	9,754	26,300	25,439	25,439	35	18,882	3,830	4,360
Total Capital Funding	7	1,544	230,864	373,278	144,719	143,858	143,858	35	174,239	224,229	290,992

For 2020/21 an amount of R174, 2million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The capital infrastructure budget allocation on water and sanitation provision of R64, 3million which equates to 75 per cent will address water backlogs that the municipality is currently facing in rural and urban areas. Electrification projects will amount to R15, 4 million from INEP for upgrading main sub-station. While Water Services Infrastructure Grant (WSIG) and Regional Bulk Infrastructure Grant (RBIG) of R26million and R40million respectively.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 1 Capital Expenditure Programme



The capital expenditure bar charts illustrate that the large portion of the capital spending will be geared towards water and sanitation projects of R106 million in rural and urban areas. Roads capital budget includes a construction and rehabilitation of access roads.

1.7 Annual Budget Tables

Table 8 - MP303 Mkhondo - Table A1 Budget Summary

MP303 Mkhondo - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance										
Property rates	46,217	39,807	43,660	49,495	66,616	66,616	–	69,801	73,012	76,370
Service charges	154,331	148,156	169,599	213,174	250,920	250,920	–	236,342	247,214	258,586
Investment revenue	442	21,186	25,904	1,797	34,440	34,440	–	832	871	911
Transfers recognised - operational	171,606	192,106	214,533	244,129	240,601	240,601	–	265,326	283,540	306,547
Other own revenue	51,975	35,660	89,133	59,312	49,079	49,079	–	93,940	98,261	102,782
Total Revenue (excluding capital transfers and contributions)	424,571	436,915	542,830	567,907	641,657	641,657	–	666,242	702,897	745,195
Employee costs	145,567	158,495	169,977	186,258	191,372	191,372	–	199,074	213,084	228,032
Remuneration of councillors	12,039	13,953	15,052	16,913	17,947	17,947	–	18,755	19,617	20,559
Depreciation & asset impairment	12,581	19,861	157,816	76,854	131,633	131,633	–	141,143	147,635	154,722
Finance charges	9,476	14,656	18,318	7,634	9,000	9,000	0	9,405	9,838	10,310
Materials and bulk purchases	127,368	137,013	153,220	163,513	182,981	182,981	1,702	182,511	190,777	199,791
Transfers and grants	5,240	5,473	6,517	12,292	5,328	5,328	–	11,835	10,651	11,347
Other expenditure	166,383	192,042	259,233	155,193	214,847	214,847	2,332	212,257	218,885	229,279
Total Expenditure	478,654	541,493	780,134	618,657	753,108	753,108	4,034	774,980	810,488	854,039
Surplus/(Deficit)	(54,083)	(104,578)	(237,304)	(50,750)	(111,451)	(111,451)	(4,034)	(108,738)	(107,590)	(108,843)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	78,481	136,996	138,954	118,419	118,419	118,419	–	155,357	220,399	286,632
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	2	29,141	696	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788
Capital expenditure & funds sources										

MKHONDO LOCAL MUNICIPALITY 2020/21 FINAL MTREF BUDGET

Capital expenditure	811	261,942	383,477	144,719	147,358	147,358	35	174,239	224,229	290,992
Transfers recognised - capital	1,544	230,864	363,524	118,419	118,419	118,419	–	155,357	220,399	286,632
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	9,754	26,300	25,439	25,439	35	18,882	3,830	4,360
Total sources of capital funds	1,544	230,864	373,278	144,719	143,858	143,858	35	174,239	224,229	290,992
Financial position										
Total current assets	50,884	50,098	192,415	(197)	(257)	(257)	–	310,749	381,290	445,790
Total non current assets	354,555	1,727,998	1,677,475	67,865	9,225	9,225	35	1,670,864	1,747,458	1,883,728
Total current liabilities	228,297	11,826	463,090	–	2,000	2,000	(14,514)	231,859	266,184	289,166
Total non current liabilities	–	42,788	53,539	–	–	–	–	53,525	53,525	53,525
Community wealth/Equity	1,327,934	1,581,213	1,392,374	67,669	6,968	6,968	(4,014)	1,696,229	1,809,038	1,986,827
Cash flows										
Net cash from (used) operating	18,542	171,994	86,816	196,023	222,421	222,421	444,438	158,533	239,464	291,849
Net cash from (used) investing	(36,157)	(331,556)	(89,360)	(144,719)	(140,858)	(140,858)	286,543	(151,211)	(195,085)	(254,897)
Net cash from (used) financing	(5)	(743)	2,433	–	–	–	(25,000)	165	165	173
Cash/cash equivalents at the year end	(17,621)	(158,814)	3,290	51,303	81,563	81,563	698,263	15,133	59,678	96,803
Cash backing/surplus reconciliation										
Cash and investments available	9	3,860	6,239	51,303	81,563	81,563	–	15,572	60,117	97,242
Application of cash and investments	160,464	(44,586)	151,031	57,107	102,080	102,080	(14,514)	7,072	16,255	12,802
Balance - surplus (shortfall)	(160,455)	48,446	(144,792)	(5,804)	(20,517)	(20,517)	14,514	8,500	43,862	84,440
Asset management										
Asset register summary (WDV)	107,290	1,607,060	1,739,236	67,865	9,225	9,225	9,225	1,732,641	1,809,235	1,945,505
Depreciation	–	9,020	137,006	76,854	138,133	138,133	138,133	141,143	147,635	154,722
Renewal and Upgrading of Existing Assets	7,816	143,265	306,825	58,400	54,535	54,535	54,535	29,797	34,768	36,067
Repairs and Maintenance	8	12,723	130,009	20,300	21,665	21,665	21,665	39,499	41,461	43,056
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	4,105	4,485	4,853
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

PART 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

2.1.1 The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- That we conduct a cost of supply exercise in order to correct the tariffs and distribution losses in order to demonstrate our efforts in achieving cost-reflective tariffs on major trading services.
- That we establish a revenue turnaround committee that will consists of temps and other technical teams for meter audit, replacement and data cleansing for improved data on billing.
- That the cost of water provision is escalating and the municipality is reviewing free basic water to all but only limited to registered indigents.
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2019) a time schedule that sets out the process to revise the IDP and prepare the budget.

2.2 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities

In reviewing the last 5-year IDP, a process plan was developed and adopted by Council. It started in September 2019 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2020/21 MTREF.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality.

2.2.1 The above section also mentions that an Integrated Development Plan has the following functions:

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

2.3 IDP and Budget Consultative Community Participation

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings took place, for the 2017-2021 Integrated Development Planning process. The public consultation process was again conducted during November 2019 for the Final IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Table 9 - Feedback Summary from community needs relating to municipal competencies

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	-	X	-	-	-	X	-	X	X	-	X	-	X	-	-	-	X	X	X
2	SANITATION	-	X	-	-	X	X	-	X	X	-	X	-	X	X	-	X	X	-	X
3	ELECTRICITY (Streetlights/Apollo)	X	X	-	-	X	X	-	X	X	X	-	X	X	X	-	-	X	X	X
4	REFUSE REMOVAL	-	-	-	-	-	-	-	X	-	-	-	-	-	-	-	-	-	-	-
5	RDP/LAND/SITES	X	X	-	-	X	-	-	X	X	X	X	X	X	X	-	X	X	X	X
6	EDUCATION,SCHOOLS	-	X	-	-	X	-	-	X	-	-	X	X	X	X	-	X	-	-	X
7	HEALTHCARE,CLINICS	X	X	-	-	-	X	-	X	X	-	-	-	-	-	-	-	X	-	-
8	SOCIAL CARE	-	X	-	-	X	X	-	X	X	X	-	X	-	X	-	X	X	X	X
9	ROADS	X	X	-	-	-	X	-	X	-	X	X	X	-	X	-	-	X	-	X
10	JOB OPPORTUNITIES	-	X	-	-	-	-	-	-	X	-	X	-	X	-	-	X	X	X	X
11	SHOPPING CENTRE	-	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	TOTAL	4	10	0	0	5	6	0	7	7	4	6	5	6	6	0	5	8	5	8

The above table is a summary of the needs as identified in different ward through their ward meetings. The details of the actual needs are contained in the minutes of different ward meetings. The "X" in the illustrative table represents the needs as identified by the communities in their respective wards. The "-" does not mean no services exists but there's

services within that ward but there's still some villages or areas which need those services. Reference of such villages/ areas is made in the minutes of the community participation which is available on request.

2.4 Overview of alignment of annual budget with IDP

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the Strategic development priorities of the municipality, which are namely:

- LED (Township economic establishment) upliftment of township economy
- Future development planning (Master plans)
- Improve delivery on basic services (Water, roads, electricity, waste and sanitation)
- Revenue enhancement
- Youth skills and business development
- Enhance good governance (Public participation)
- Performance Management to be cascaded to the lower level
- Assets management (fleet and property maintenance plan).
- Clean audit
- Improve Blue drop & Green drop
- Promulgation and enforcement of by- laws

Table 10 - MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand												
Governance and administration				404,914	175,146	199,620	231,649	314,203	314,203	301,280	311,968	328,045
Executive and council				229,869	53,480	58,259	131,293	193,056	193,056	191,990	196,390	206,015
Finance and administration				175,045	121,518	141,137	100,122	120,706	120,706	108,837	115,100	121,524
Internal audit				–	148	224	234	441	441	452	478	507
Community and public safety				45,890	49,652	66,171	46,801	51,412	51,412	56,972	59,660	63,157
Community and social services				18,948	22,474	21,595	15,370	19,193	19,193	17,409	18,437	19,549
Sport and recreation				6,484	7,023	10,022	7,989	8,593	8,593	9,014	9,533	10,093

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Public safety			20,280	19,939	34,403	22,813	22,997	22,997	30,391	31,525	33,341
Housing			177	216	151	629	629	629	158	166	174
Economic and environmental services			30,462	32,690	163,933	94,437	116,209	116,209	60,531	56,697	60,461
Planning and development			3,826	9,925	10,954	65,261	93,800	93,800	19,139	14,748	15,769
Road transport			26,636	22,765	152,978	29,176	22,409	22,409	41,392	41,949	44,692
Trading services			187,648	249,999	300,301	234,043	251,290	251,290	336,317	355,770	374,112
Energy sources			137,764	157,347	206,280	171,221	187,027	187,027	203,587	213,165	223,550
Water management			36,410	48,885	51,876	43,923	43,834	43,834	87,629	94,988	100,233
Waste water management			2,323	7,581	15,092	3,396	4,240	4,240	26,811	28,147	29,592
Waste management			11,151	36,186	27,054	15,503	16,189	16,189	18,288	19,469	20,736
Other			17,318	34,063	50,720	11,728	19,993	19,993	19,880	26,392	28,265
Allocations to other priorities											
Total Revenue (excluding capital transfers and contributions)	1		686,231	541,551	780,745	618,657	753,108	753,108	774,980	810,488	854,039

Table 11 IDP Strategic Development Priorities and Objectives

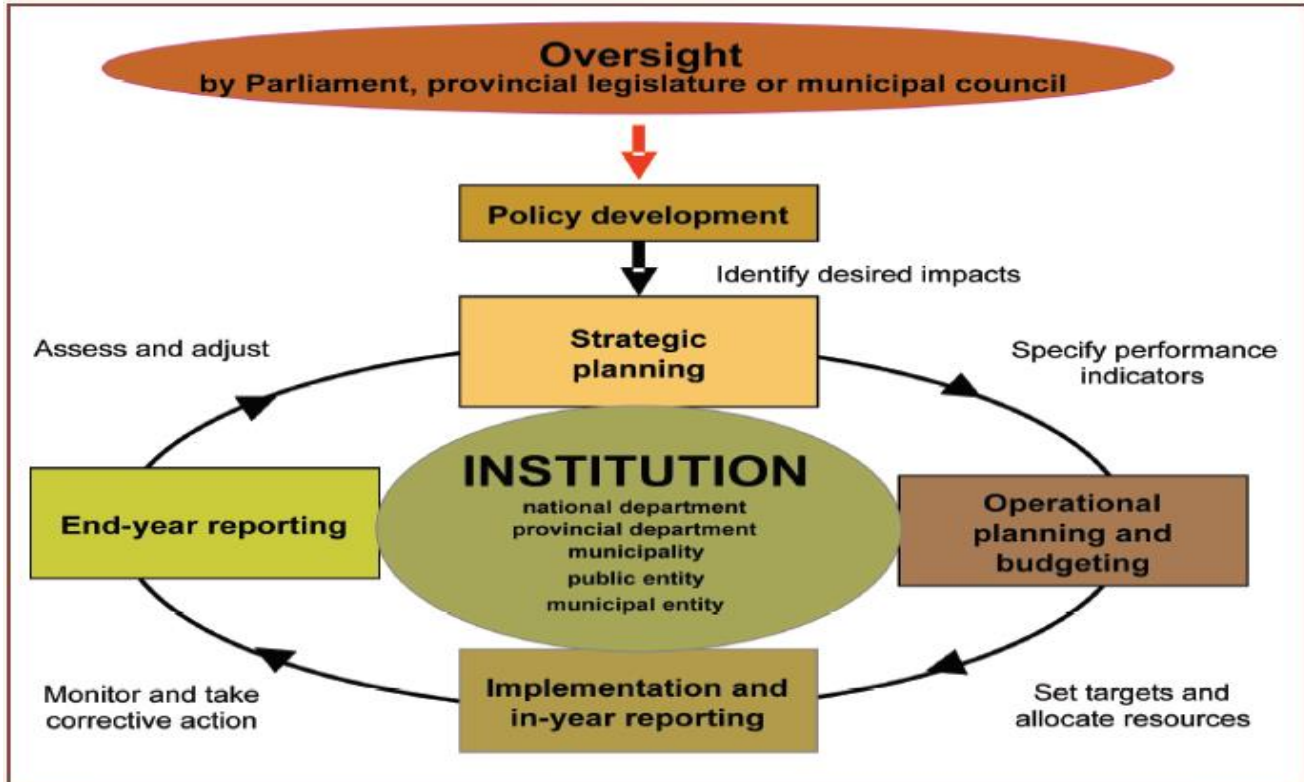
PRIORITIES	GOALS	OBJECTIVES
<ul style="list-style-type: none"> • LED(Township economic establishment) Upliftment of township economy • Future development planning (Master plans) • Improve delivery on basic services(Water, roads, electricity, waste and sanitation) • Revenue enhancement • Youth skills and business development • Enhance good governance (Public participation) • Performance Management to be cascaded to the lower level • Assets management (fleet and property maintenance plan). • Clean audit • Improve Blue drop & Green drop • Promulgation and enforcement of by- laws 	<ul style="list-style-type: none"> • Sustainable service delivery • Economic development and employment. • Clean audit • Financial viability 	<ul style="list-style-type: none"> • To provide access to basic services (water 100%, electricity 100%, Sanitation 100% and refuse removal 75%) • To establish six integrated township • To promote economic growth by 5% • To reduce unemployment by 5% • To increase revenue collection by 85% • To conduct 20 public participation programmes • To reduce irregular expenditure to 0% • To develop and update assets register

2.5 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and implementing a performance management system wherein top management have signed performance agreements with the Municipal manager and the Executive Mayor.

Mkhondo Local Municipality has also established a Performance Management unit as well as the performance management committee which is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organizational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure2 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

2.6 Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Investment policy

- Budget policy
- Fund Transfer policy
- Credit & Debit Control policy
- Subsistence & Travelling policy
- Asset Management Policy
- Tariff policy
- Banking and Cash Management policy
- Indigent Policy
- Rates policy
- Fleet Management policy
- Asset Disposal policy

2.7 Overview of Budget assumptions

2.7.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan.

2.7.2 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (75 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy and incentives measures to encourage community to pay their arrears on service accounts.

2.7.3 Salary increase

The collective agreement for new salary and wage is 6.24% with SALGBC, an estimated growth in employee related cost is budgeted for 2020/21 financial year, notwithstanding the NT circular no.99 in terms of the guidelines.

2.8 Overview of Capital Budget Funding Sources

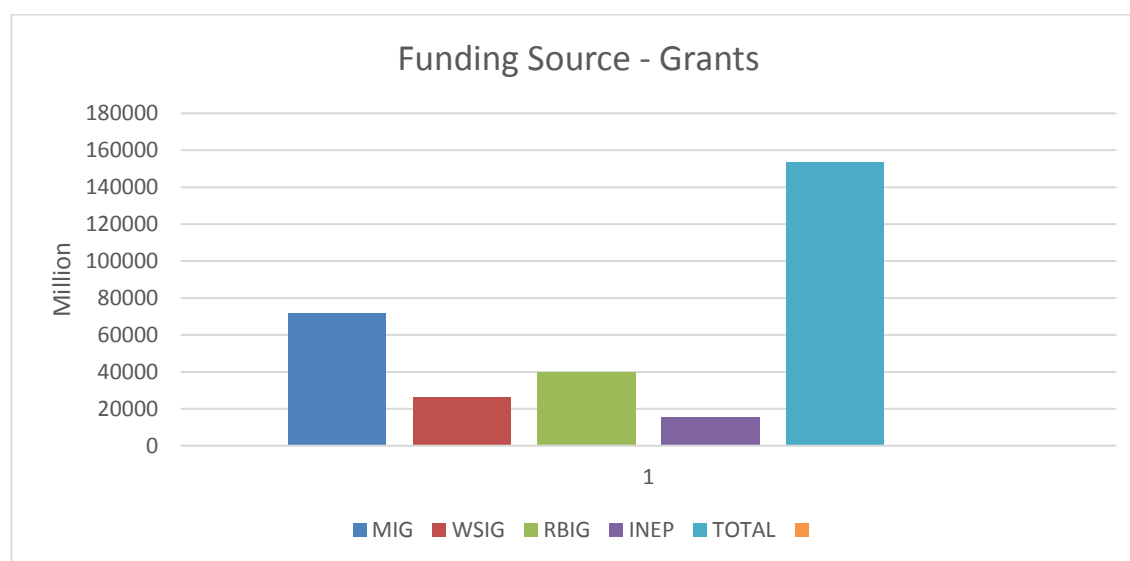
2.8.1 Medium – term outlook: Capital Revenue

The following table is a breakdown of the funding composition of the 2020/21 Medium-term capital programme:

Table 12 - Sources of Capital revenue over the MTREF

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funded by:											
National Government		1,544	201,722	334,383	118,419	118,419	118,419	–	155,357	220,399	286,632
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	29,141	29,141	–	–	–	–	–	–	–
Transfers recognised - capital	4	1,544	230,864	363,524	118,419	118,419	118,419	–	155,357	220,399	286,632
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		–	–	9,754	26,300	25,439	25,439	35	18,882	3,830	4,360
Total Capital Funding	7	1,544	230,864	373,278	144,719	143,858	143,858	35	174,239	224,229	290,992

Figure 3 Sources of capital revenue for the 2020/21 financial year



Total capital grants and receipts equates to 89 per cent which is made up by MIG, INEP, WSIG and RBIG the rest is 11 per cent of internally funded. The municipality is still grant dependent particularly on infrastructure projects with minimum capacity to raise own capital funding for internal projects.

2.9 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 13 - MP303 Mkhondo Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funding measures	–	–										
Cash/cash equivalents at the year end - R'000	18(1)b	1	(17,621)	(158,814)	3,290	51,303	81,563	81,563	698,263	15,133	59,678	96,803
Cash + investments at the yr end less applications - R'000	18(1)b	2	(160,455)	48,446	(144,792)	(5,804)	(20,517)	(20,517)	14,514	8,500	43,862	84,440
Cash year end/monthly employee/supplier payments	18(1)b	3	(0.5)	(4.0)	0.1	1.2	1.7	1.7	3,655.8	0.3	1.1	1.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	(12.3%)	7.5%	17.2%	14.9%	(6.0%)	(106.0%)	(9.6%)	(1.4%)	(1.4%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	88.2%	118.2%	87.2%	110.9%	122.3%	122.3%	0.0%	73.6%	73.6%	73.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	31.1%	34.7%	38.4%	19.6%	25.8%	25.8%	0.0%	27.4%	27.4%	27.4%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	129.8%	28.3%	106.6%	98.2%	98.2%	(812452.3%)	90.7%	90.2%	90.1%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.3%	(2.9%)	71.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	7.1%	278.2%	(129.4%)	58.9%	0.0%	(100.0%)	(442.0%)	7.4%	7.3%

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Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(100.0%)	0.0%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.8%	8.1%	29.9%	234.8%	234.8%	111994.4%	2.5%	2.5%	2.4%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	4.9%	2.8%	0.0%	1.1%	1.1%	0.0%	0.0%	0.0%	0.0%
High Level Outcome of Funding Compliance												
Total Operating Revenue			424,571	436,915	542,830	567,907	641,657	641,657	–	666,242	702,897	745,195
Total Operating Expenditure			478,654	541,493	780,134	618,657	753,108	753,108	4,034	774,980	810,488	854,039
Surplus/(Deficit)												
Budgeted Operating Statement			(54,083)	(104,578)	(237,304)	(50,750)	(111,451)	(111,451)	(4,034)	(108,738)	(107,590)	(108,843)
Surplus/(Deficit) Considering Reserves and Cash Backing			(160,455)	48,446	(144,792)	(5,804)	(20,517)	(20,517)	14,514	8,500	43,862	84,440
MTREF Funded (1) / Unfunded (0)		15	0	1	0	0	0	0	1	1	1	1
MTREF Funded ✓ / Unfunded ✗		15	✗	✓	✗	✗	✗	✗	✓	✓	✓	✓

2.10 Expenditure on Grants and Reconciliation of Unspent

Table 14 - MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme

MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
EXPENDITURE:										
<u>Operating expenditure of Transfers and Grants</u>	1									
National Government:		–	–	–	–	–	–	276,733	291,744	310,316
Local Government Equitable Share								271,653	288,458	306,926
Expanded Public Works Programme								2,080	86	90
Integrated Grant								3,000	3,200	3,300
Local Government Financial Management Grant										

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Total operating expenditure of Transfers and Grants:		-	-	-	-	-	-	276,733	291,744	310,316
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	-	-	-	155,357	220,399	286,632
Energy Efficiency and Demand Side Management Grant										
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]								15,440	20,000	20,048
Municipal Infrastructure Grant								73,917	80,399	85,144
Regional Bulk Infrastructure Grant								40,000	90,000	150,000
Water Services Infrastructure Grant								26,000	30,000	31,440
Total capital expenditure of Transfers and Grants		-	-	-	-	-	-	155,357	220,399	286,632
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	-	-	-	-	-	432,090	512,144	596,948

Table 15 - MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Operating transfers and grants:										
National Government:										
Balance unspent at beginning of the year	1,3							(8,888)	(7,432)	(7,791)
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	(8,888)	(7,432)	(7,791)
Conditions still to be met - transferred to liabilities								-	-	-
Total operating transfers and grants revenue		-	-	-	-	-	-	(8,888)	(7,432)	(7,791)
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:										
National Government:										
Balance unspent at beginning of the year	1,3							(155,357)	(220,399)	(286,632)
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	(155,357)	(220,399)	(286,632)
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		-	-	-	-	-	-	(155,357)	(220,399)	(286,632)
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-

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TOTAL TRANSFERS AND GRANTS REVENUE		-	-	-	-	-	-	(164,245)	(227,831)	(294,423)
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

2.11 Councillors and Employee Benefits

Table 16 - MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		650,497	91,419	210,480			952,396
Chief Whip			648,199	36,219	200,531			884,949
Executive Mayor			995,814	176,757	46,620			1,219,191
Deputy Executive Mayor								-
Executive Committee			2,040,385	161,652	443,902			2,645,939
Total for all other councillors			10,265,299	792,450	1,994,777			13,052,526
Total Councillors	8	-	14,600,194	1,258,497	2,896,310			18,755,001
Senior Managers of the Municipality	5							
Municipal Manager (MM)			926,912	149,119	204,045			1,280,076
Chief Finance Officer			635,283	149,769	272,059			1,057,111
GM-Corporate			714,962	160,257	104,743			979,962
GM-Community			720,001	97,016	163,236			980,253
GM-Technical			850,617	138,479	68,015			1,057,111
GM-Planning & Development			850,617	138,479	68,015			1,057,111
List of each official with packages >= senior manager								
All other senior managers			12,635,286	2,600,491	2,393,856			17,629,633
								-
Total Senior Managers of the Municipality	8,10	-	17,333,678	3,433,610	3,273,969	-		24,041,257
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	31,933,872	4,692,107	6,170,279	-		42,796,258

Table 17 - MP303 Mkhondo - Supporting Table SA24 Summary of personnel numbers

MP303 Mkhondo - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2018/19			Current Year 2019/20			Budget Year 2020/21		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		38		38	38	–	38	38		38
Board Members of municipal entities	4	–	–	–	–	–	–	–	–	–
Municipal employees	5	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	3	6	–	6	6	–	6	6	–	6
Other Managers	7	21	18	–	–	–	–	21	18	–
Professionals		29	19	–	32	30	–	29	19	–
<i>Finance</i>		13	13	–	15	14	–	13	13	–
<i>Spatial/town planning</i>		1	1	–	3	2	–	1	1	–
<i>Information Technology</i>		1	1	–	1	1	–	1	1	–
<i>Other</i>		14	4	–	13	13	–	14	4	–
Technicians		7	6	–	7	4	–	7	6	–
<i>Finance</i>		–	–	–	–	–	–	–	–	–
<i>Spatial/town planning</i>		–	–	–	–	–	–	–	–	–
<i>Information Technology</i>		3	2	–	3	2	–	3	2	–
<i>Roads</i>		–	–	–	–	–	–	–	–	–
<i>Electricity</i>		1	1	–	1	–	–	1	1	–
<i>Water</i>		3	3	–	3	2	–	3	3	–
Clerks (Clerical and administrative)		71	65	–	71	66	–	71	65	–
Service and sales workers		55	42	–	55	48	–	55	42	–
Skilled agricultural and fishery workers		54	54	–	54	57	–	54	54	–
Craft and related trades		10	8	–	10	8	–	10	8	–
Plant and Machine Operators		53	31	–	53	38	–	53	31	–
Elementary Occupations		350	220	–	454	242	–	350	220	–
TOTAL PERSONNEL NUMBERS	9	694	463	44	780	493	44	694	463	44
% increase					12.4%	6.5%	–	(11.0%)	(6.1%)	–
Total municipal employees headcount	6, 10	–	–	–						
Finance personnel headcount	8, 10	–	–	–						
Human Resources personnel headcount	8, 10	11	7	–	13	10	12	11	7	–

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2.12 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 18 - MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure

MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source	–															
Property rates		5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	69,801	73,012	76,370
Service charges - electricity revenue		14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	169,270	177,057	185,201
Service charges - water revenue		2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	30,141	31,527	32,978
Service charges - sanitation revenue		1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	21,282	22,261	23,285
Service charges - refuse revenue		1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	15,649	16,369	17,122
Rental of facilities and equipment		270	270	270	270	270	270	270	270	270	270	270	270	3,239	3,388	3,544
Interest earned - external investments		69	69	69	69	69	69	69	69	69	69	69	69	832	871	911
Interest earned - outstanding debtors		2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	34,952	36,560	38,242
Dividends received		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		195	195	195	195	195	195	195	195	195	195	195	195	2,345	2,453	2,566
Licences and permits		12	12	12	12	12	12	12	12	12	12	12	12	139	145	152
Agency services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		22,111	22,111	22,111	22,111	22,111	22,111	22,111	22,111	22,111	22,111	22,111	22,111	265,326	283,540	306,547
Other revenue		3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	46,472	48,610	50,847
Gains		566	566	566	566	566	566	566	566	566	566	566	566	6,793	7,105	7,432

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Total Revenue (excluding capital transfers and contributions)	—	55,520	55,520	55,520	55,520	55,520	55,520	55,520	55,520	55,520	55,520	55,520	55,520	666,242	702,897	745,195
Expenditure By Type																
Employee related costs		16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,589	199,074	213,084	228,032
Remuneration of councillors		1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	18,755	19,617	20,559
Debt impairment		7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	84,000	87,864	91,906
Depreciation & asset impairment		11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	141,143	147,635	154,722
Finance charges		784	784	784	784	784	784	784	784	784	784	784	784	9,405	9,838	10,310
Bulk purchases		13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	165,000	172,590	180,874
Other materials		1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	17,511	18,187	18,917
Contracted services		6,975	6,975	6,975	6,975	6,975	6,975	6,975	6,975	6,975	6,975	6,975	6,975	83,699	84,215	88,166
Transfers and subsidies		986	986	986	986	986	986	986	986	986	986	986	986	11,835	10,651	11,347
Other expenditure		3,713	3,713	3,713	3,713	3,713	3,713	3,713	3,713	3,713	3,713	3,713	3,713	44,558	46,806	49,207
Losses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total Expenditure		64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,581	774,980	810,488	854,039	
Surplus/(Deficit)		(9,062)	(9,062)	(9,062)	(9,062)	(9,062)	(9,062)	(9,062)	(9,062)	(9,062)	(9,062)	(9,061)	(108,738)	(107,590)	(108,843)	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	155,357	220,399	286,632	
Surplus/(Deficit) after capital transfers & contributions		3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	46,619	112,809	177,788	
Taxation		—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Attributable to minorities		—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Surplus/(Deficit)	1	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	46,619	112,809	177,788	

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Table 19 - MP303 Mkhondo - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Revenue by Vote</u>	–															
Vote 1 - Executive and Council		21,028	21,028	21,028	21,028	21,028	21,028	21,028	21,028	21,028	21,028	21,028	21,028	252,333	271,623	293,903
Vote 2 - Budget and Treasury Office		17,462	17,462	17,462	17,462	17,462	17,462	17,462	17,462	17,462	17,462	17,462	17,462	209,545	226,340	236,945
Vote 3 - Corporate Services		75	75	75	75	75	75	75	75	75	75	75	75	906	948	991
Vote 4 - Planning and Development		395	395	395	395	395	395	395	395	395	395	395	395	4,736	4,953	5,181
Vote 5 - Community Services		2,001	2,001	2,001	2,001	2,001	2,001	2,001	2,001	2,001	2,001	2,001	2,001	24,016	25,120	26,276
Vote 6 - Technical Services		25,946	25,946	25,946	25,946	25,946	25,946	25,946	25,946	25,946	25,946	25,946	25,946	311,347	374,734	448,053
Vote 7 - Afforestation		1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	18,717	19,578	20,479
Total Revenue by Vote		68,467	68,467	68,467	68,467	68,467	68,467	68,467	68,467	68,467	68,467	68,467	68,467	821,598	923,297	1,031,827
<u>Expenditure by Vote to be appropriated</u>	–															
Vote 1 - Executive and Council		16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	192,965	197,412	207,089
Vote 2 - Budget and Treasury Office		7,161	7,161	7,161	7,161	7,161	7,161	7,161	7,161	7,161	7,161	7,161	7,161	85,935	90,816	95,751
Vote 3 - Corporate Services		1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	22,496	23,865	25,339
Vote 4 - Planning and Development		361	361	361	361	361	361	361	361	361	361	361	361	4,335	4,623	5,036
Vote 5 - Community Services		6,597	6,597	6,597	6,597	6,597	6,597	6,597	6,597	6,597	6,597	6,597	6,597	79,170	83,296	88,336
Vote 6 - Technical Services		30,850	30,850	30,850	30,850	30,850	30,850	30,850	30,850	30,850	30,850	30,850	30,850	370,198	384,084	404,224
Vote 7 - Afforestation		1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657	19,880	26,392	28,265
Total Expenditure by Vote		64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,582	64,581	774,980	810,488	854,039

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Surplus/(Deficit) before assoc.		3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	46,619	112,809	177,788
Surplus/(Deficit)	1	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	46,619	112,809	177,788

2.13 OTHER SUPPORTING DOCUMENTS

Table 20 - MP303 Mkhondo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		46,217	39,807	43,660	49,495	66,616	66,616		69,801	73,012	76,370
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>		-	-	-	-	-	-	-	-	-	-
Net Property Rates		46,217	39,807	43,660	49,495	66,616	66,616	-	69,801	73,012	76,370
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		121,400	107,982	125,601	156,983	175,752	175,752		169,270	177,057	185,201
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue		121,400	107,982	125,601	156,983	175,752	175,752	-	169,270	177,057	185,201
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		23,778	19,989	22,757	26,345	32,412	32,412		30,141	31,527	32,978
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - water revenue		23,778	19,989	22,757	26,345	32,412	32,412	-	30,141	31,527	32,978
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		9,153	9,440	9,873	17,868	27,781	27,781		21,282	22,261	23,285
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>		-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - sanitation revenue		9,153	9,440	9,873	17,868	27,781	27,781	-	21,282	22,261	23,285
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue	1	10,745	11,368	11,977	14,975	14,975	-		15,649	16,369	17,122
Total landfill revenue	-	-	-	-	-	-	-	-	-	-	-
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>	-	-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (removed once a week to indigent households)</i>	-	-	-	-	-	-	-	-	-	-	-

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Net Service charges - refuse revenue	1	10,745	11,368	11,977	14,975	14,975	–	15,649	16,369	17,122
<u>Other Revenue by source</u>										
<i>Fuel Levy</i>	–	–	–	–	–	–	–	–	–	–
<i>Other Revenue</i>	1,034	32,868	52,016	39,252	44,862	44,862	–	46,472	48,610	50,847
Total 'Other' Revenue	1	1,034	32,868	52,016	39,252	44,862	–	46,472	48,610	50,847
EXPENDITURE ITEMS:										
<u>Employee related costs</u>										
Basic Salaries and Wages	2	86,838	96,261	103,282	110,968	113,147	–	123,023	131,685	140,847
Pension and UIF Contributions		17,860	18,670	20,072	22,989	23,104	–	21,795	23,316	24,943
Medical Aid Contributions		5,264	5,770	6,208	7,054	7,054	–	7,494	8,018	8,579
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		8,761	8,293	8,174	9,698	9,721	–	6,912	7,404	8,046
Motor Vehicle Allowance		3,837	5,113	5,183	9,035	8,131	–	9,556	10,278	10,997
Cellphone Allowance		6	2	–	23	23	–	24	26	28
Housing Allowances		2,132	1,202	1,713	2,910	3,044	–	3,400	3,629	3,875
Other benefits and allowances		18,872	18,427	20,002	21,677	24,923	–	24,662	26,367	28,192
Payments in lieu of leave		1,996	2,839	665	1,902	2,223	–	2,207	2,361	2,526
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	4	–	1,919	4,678	–	–	–	–	–	–
sub-total	5	145,567	158,495	169,977	186,258	191,372	–	199,074	213,084	228,032
<u>Less: Employees costs capitalised to PPE</u>		–	–	–	–	–	–	–	–	–
Total Employee related costs	1	145,567	158,495	169,977	186,258	191,372	–	199,074	213,084	228,032
<u>Depreciation & asset impairment</u>										
Depreciation of Property, Plant & Equipment		–	9,073	137,006	76,854	138,133	–	141,143	147,635	154,722
Lease amortisation		–	(53)	–	–	–	–	–	–	–
Capital asset impairment		12,581	10,841	20,810	–	(6,500)	–	–	–	–
Total Depreciation & asset impairment	1	12,581	19,861	157,816	76,854	131,633	–	141,143	147,635	154,722
<u>Bulk purchases</u>										
Electricity Bulk Purchases		113,383	116,535	125,772	148,814	164,000	–	165,000	172,590	180,874
Water Bulk Purchases		–	–	–	–	–	–	–	–	–
Total bulk purchases	1	113,383	116,535	125,772	148,814	164,000	–	165,000	172,590	180,874
<u>Transfers and grants</u>										
Cash transfers and grants		5,240	5,473	6,517	12,292	5,328	–	11,835	10,651	11,347
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–
Total transfers and grants	1	5,240	5,473	6,517	12,292	5,328	–	11,835	10,651	11,347
<u>Contracted services</u>										

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<i>Outsourced Services</i>		38,306	41,532	41,855	15,122	23,552	23,552	129	13,339	10,832	11,368
<i>Consultants and Professional Services</i>		3,380	9,452	9,776	18,145	35,129	35,129	0	18,078	18,922	19,842
<i>Contractors</i>		28,022	23,464	61,742	18,450	20,704	20,704	1,002	52,282	54,462	56,956
Total contracted services		69,708	74,448	113,374	51,717	79,385	79,385	1,131	83,699	84,215	88,166
<u>Other Expenditure By Type</u>	-										
Collection costs		186	328	195	141	221	221	-	50	50	50
Contributions to 'other' provisions		-	4,957	1,876	-	-	-	-	-	-	-
Audit fees		-	-	-	-	-	-	-	-	-	-
<i>Other Expenditure</i>		36,431	47,089	62,581	51,835	53,421	53,421	1,201	44,508	46,756	49,157
Total 'Other' Expenditure	1	36,617	52,374	64,651	51,976	53,642	53,642	1,201	44,558	46,806	49,207

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Table 21 - MP303 Mkhondo - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive and Council	Vote 2 - Budget and Treasury Office	Vote 3 - Corporate Services	Vote 4 - Planning and Development	Vote 5 - Community Services	Vote 6 - Technical Services	Vote 7 - Afforestation	Total
R thousand	1								
<u>Revenue By Source</u>									
Property rates		–	68,819	13	415	179	375	–	69,801
Service charges - electricity revenue		–	–	–	–	–	169,270	–	169,270
Service charges - water revenue		–	–	–	–	–	30,141	–	30,141
Service charges - sanitation revenue		–	–	–	–	–	21,282	–	21,282
Service charges - refuse revenue		–	–	–	–	15,649	–	–	15,649
Rental of facilities and equipment		–	–	889	2,077	4	–	269	3,239
Interest earned - external investments		–	832	–	–	–	–	–	832
Interest earned - outstanding debtors		–	34,952	–	–	–	–	–	34,952
Dividends received		–	–	–	–	–	–	–	–
Fines, penalties and forfeits		–	–	–	–	2,062	283	–	2,345
Licences and permits		–	–	–	–	139	–	–	139
Agency services		–	–	–	–	–	–	–	–
Other revenue		–	1,902	3	2,244	5,982	17,893	18,448	46,472
Transfers and subsidies		252,333	6,890	–	–	–	6,103	–	265,326
Gains		–	6,793	–	–	–	–	–	6,793
Total Revenue (excluding capital transfers and contributions)		252,333	120,188	906	4,736	24,016	245,347	18,717	666,242
<u>Expenditure By Type</u>									
Employee related costs		4,634	32,573	13,710	2,714	37,721	93,127	14,594	199,074
Remuneration of councillors		18,755	–	–	–	–	–	–	18,755
Debt impairment		1,413	24,891	–	–	–	57,697	–	84,000
Depreciation & asset impairment		141,143	–	–	–	–	–	–	141,143
Finance charges		–	7,315	–	–	–	2,090	–	9,405
Bulk purchases		–	–	–	–	–	165,000	–	165,000
Other materials		333	2,656	139	47	1,260	9,491	3,583	17,511
Contracted services		9,856	9,575	2,192	505	30,938	30,499	133	83,699
Transfers and subsidies		11,313	–	523	–	–	–	–	11,835
Other expenditure		5,518	8,925	5,932	1,070	9,250	12,293	1,570	44,558
Losses		–	–	–	–	–	–	–	–
Total Expenditure		192,965	85,935	22,496	4,335	79,170	370,198	19,880	774,980

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Surplus/(Deficit)		59,368	34,253	(21,590)	400	(55,154)	(124,851)	(1,163)	(108,738)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	89,357	-	-	-	66,000	-	155,357
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		59,368	123,609	(21,590)	400	(55,154)	(58,851)	(1,163)	46,619

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Table 22 - MP303 Mkhondo - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
ASSETS											
<u>Consumer debtors</u>											
Consumer debtors		267,957	331,792	397,659	–	–	–	–	892,713	1,001,824	1,116,124
<u>Less: Provision for debt impairment</u>		(228,443)	(287,491)	(355,456)	(51,500)	(81,820)	(81,820)	–	(621,161)	(709,025)	(800,930)
Total Consumer debtors	2	39,514	44,302	42,203	(51,500)	(81,820)	(81,820)	–	271,552	292,799	315,194
<u>Debt impairment provision</u>											
Balance at the beginning of the year		(228,443)	(228,443)	(228,400)	–	–	–	–	(537,161)	(621,161)	(709,025)
Contributions to the provision		–	(64,274)	(130,667)	–	–	–	–	(84,000)	(87,864)	(91,906)
Bad debts written off		–	5,226	3,611	(51,500)	(81,820)	(81,820)	–	–	–	–
Balance at end of year		(228,443)	(287,491)	(355,456)	(51,500)	(81,820)	(81,820)	–	(621,161)	(709,025)	(800,930)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		264,532	2,839,451	2,910,677	144,719	147,358	147,358	35	3,044,734	3,268,964	3,559,955
Leases recognised as PPE	3	–	2	2	–	–	–	–	2	2	2
<u>Less: Accumulated depreciation</u>		–	1,180,372	1,298,427	76,854	138,133	138,133	–	1,438,777	1,585,583	1,739,435
Total Property, plant and equipment (PPE)	2	264,532	1,659,081	1,612,252	67,865	9,225	9,225	35	1,605,959	1,683,383	1,820,522
LIABILITIES											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)		–	–	5,000	–	–	–	–	–	–	–
Current portion of long-term liabilities		–	–	2,647	–	–	–	–	12,503	22,259	32,484
Total Current liabilities - Borrowing		–	–	7,647	–	–	–	–	12,503	22,259	32,484
<u>Trade and other payables</u>											
Trade Payables	5	198,640	–	303,896	–	2,000	2,000	(14,514)	213,081	237,485	250,069
Other creditors		–	–	–	–	–	–	–	–	–	–
Unspent conditional transfers		–	10,207	(0)	–	–	–	–	0	0	0
VAT		26,148	–	145,404	–	–	–	–	–	–	–
Total Trade and other payables	2	224,787	10,207	449,300	–	2,000	2,000	(14,514)	213,081	237,485	250,069
<u>Non current liabilities - Borrowing</u>											
Borrowing	4	–	(332)	(332)	–	–	–	–	4,653	4,653	4,653

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Finance leases (including PPP asset element)		-	-	4,999	-	-	-	-	-	-	-
Total Non current liabilities - Borrowing		-	(332)	4,667	-	-	-	-	4,653	4,653	4,653
Provisions - non-current											
Retirement benefits		-	21,299	23,543	-	-	-	-	23,543	23,543	23,543
Refuse landfill site rehabilitation		-	21,821	25,329	-	-	-	-	25,329	25,329	25,329
Other		-	-	-	-	-	-	-	-	-	-
Total Provisions - non-current		-	43,120	48,872	-	-	-	-	48,872	48,872	48,872
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		1,303,534	1,252,234	1,490,028	-	-	-	20	1,649,611	1,696,229	1,809,038
GRAP adjustments		-	-	-	-	-	-	-	-	-	-
Restated balance		1,303,534	1,252,234	1,490,028	-	-	-	20	1,649,611	1,696,229	1,809,038
Surplus/(Deficit)		24,400	61,560	(97,654)	67,669	6,968	6,968	(4,034)	46,619	112,809	177,788
Other adjustments		-	267,420	-	-	-	-	-	-	-	-
Accumulated Surplus/(Deficit)	1	1,327,934	1,581,213	1,392,374	67,669	6,968	6,968	(4,014)	1,696,229	1,809,038	1,986,827
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	1,327,934	1,581,213	1,392,374	67,669	6,968	6,968	(4,014)	1,696,229	1,809,038	1,986,827

2.14 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

➤ In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports to both National and Provincial Treasury.

➤ Internship programme

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 30 interns in the past few years through this programme. Some of the previous FM interns have since been appointed they have progressively achieved promotions with mostly in the Accountant positions within financial services.

Financial Management Grant (FMG) has been a successful capacity building programme wherein five interns were appointed and undergone a minimum competency programme within the Office of the Chief Financial Officer. Interns are appointed as and when their internship contract fall due to be completed as when their contract ellapses, therefore additional FM intern will be appointed towards this capacity programme that is aimed at skilling finance staff in financial management.

➤ Budget & Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA, with all the senior manager fully appointed and their staff personnel fully placed, together with the assistance of five (5) Financial Management interns rotating within the Revenue, Expenditure, Budget, Assets & Logistics and Supply Chain Management (SCM)

➤ Audit Committee

An Audit Committee members are fully qualified and functional with scheduled sittings through office of the MM and the Internal Audit Unit. The audit committee report is discussed and recommendation effectively implemented by management of the municipality.

➤ Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements and, it has been submitted timeously within reporting timelines to National, Provincial treasury and other relevant stakeholders.

➤ Policies

A list of all budget related policies will be approved during the 2020/21 MTREF by Council by the 30 May 2020, a list of all approved policies have been included as annexure.

2.15 Municipal Manager's Quality Certificate

I _____, Municipal Manager of Mkhondo Local Municipality, hereby certify that the 2020/21 Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2020/21 Annual Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Mkhondo Local Municipality (MP303)

Signature _____

Date _____